

AMENDED IN ASSEMBLY MAY 15, 2014

AMENDED IN ASSEMBLY APRIL 1, 2014

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

ASSEMBLY BILL

No. 2514

Introduced by Assembly Member Pan

February 21, 2014

An act to add and repeal Section 17053.44 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 2514, as amended, Pan. Income taxes: credits: rural health care professionals.

The Personal Income Tax Law allows various credits against the taxes imposed by that law.

The bill, for taxable years beginning on or after January 1, ~~2014~~ 2015, and before January 1, ~~2019~~ 2020, would allow a credit against the taxes imposed under that law to a qualified taxpayer, as defined, that is a health care professional who resides and practices in a ~~rural~~ health care professional shortage area pursuant to an agreement with the State Department of Health Care Services in a specified amount of the qualified taxpayer's student loans, as provided.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. The Legislature finds and declares that, in order
 2 for all geographic areas of California to have the opportunity for
 3 economic development, it is vital that excellent health care be
 4 available throughout the state. The Legislature further finds and
 5 declares that payment of student loans is an incentive used by ~~rural~~
 6 communities and health care institutions to attract health care
 7 professionals to practice. It is therefore the intent of the Legislature
 8 to provide a tax credit for the purpose of payment of student loans
 9 as an incentive to encourage health care professionals to locate in
 10 medically underserved areas of the State of California.

11 SEC. 2. Section 17053.44 is added to the Revenue and Taxation
 12 Code, to read:

13 17053.44. (a) (1) For taxable years beginning on or after
 14 January 1, ~~2014~~ 2015, and before January 1, ~~2019~~ 2020, there shall
 15 be allowed to a qualified taxpayer a credit against the “net tax,”
 16 as defined by Section 17039, in an amount as determined by
 17 paragraph (2), of the qualified taxpayer’s student loans.

18 ~~(2) The amount of the credit allowed by this section shall be~~
 19 ~~the lesser of the following:~~

20 ~~(A) One-third of the balance due on the qualified taxpayer’s~~
 21 ~~student loans as of January 1 of the taxable year in which the credit~~
 22 ~~is allowed.~~

23 ~~(B) The total balance due on the qualified taxpayer’s student~~
 24 ~~loans as of January 1 of the taxable year in which the credit is~~
 25 ~~allowed minus the total amount of credit allowed in previous~~
 26 ~~taxable years pursuant to this section.~~

27 *(2) The amount of the student loan payments made by the*
 28 *qualified taxpayer during the taxable year, not to exceed one-third*
 29 *of the remaining balance of the qualified taxpayer’s student loan*
 30 *as of January 1 of the taxable year in which the credit is allowed.*

31 (3) A credit may be allowed pursuant to this section for five
 32 consecutive taxable years.

33 (b) For purposes of this section:

34 (1) ~~“Full-time”~~ “Full time” means at least 20 hours per week
 35 on average for 180 days for the first taxable year in which a credit
 36 is allowed pursuant to this section, and at least 20 hours per week
 37 on average for at least 10 months in subsequent taxable years.

1 (2) “Qualified taxpayer” means an individual who meets all of
2 the following conditions:

3 (A) Is a dentist, physician, physician assistant, or advanced
4 practice nurse who is licensed or certified to practice within
5 California.

6 (B) Resides and practices full-time in a rural health care
7 professional shortage area and has committed to residing and
8 practicing in that area for at least three years and up to five years
9 pursuant to an agreement between him or her and the State
10 Department of Health Care Services.

11 (C) Is a borrower on student loans under a recognized loan
12 program used by him or her for higher education opportunities
13 resulting in a *graduate or professional* degree that enables him or
14 her to be licensed or certified as a health care professional in this
15 state.

16 (3) ~~“Rural health~~ “Health care professional shortage area” means
17 any area of the state that is not a metropolitan statistical area as
18 described in the publication “State and Metropolitan Area Data
19 Book,” 2010, published by the United States Census Bureau and
20 that is located 30 or more miles from the nearest hospital containing
21 30 or more licensed beds *or is a medically underserved area, as*
22 *defined in Section 128552 of the Health and Safety Code.*

23 (4) “Student loan” means a student obligation note or other debt
24 evidencing a loan to any individual for higher education purposes
25 or for the purpose of consolidating or refinancing a loan for higher
26 education purposes, which is either a guaranteed student loan, an
27 educational loan, or a loan eligible for consolidation or refinancing
28 under Part B of Title IV of the Higher Education Act of 1965, as
29 amended (20 U.S.C. Sec. 1070 et seq.).

30 (c) A credit shall be allowed pursuant to this section only for
31 those taxable years in which:

32 (1) The qualified taxpayer is not delinquent on his or her student
33 loan payments.

34 (2) The qualified taxpayer resides and practices in a ~~rural~~ health
35 care professional shortage area pursuant to an agreement with the
36 State Department of Health Care Services.

37 (3) The qualified taxpayer’s student loan has an outstanding
38 balance for at least a part of the taxable year.

39 ~~(d) If the qualified taxpayer does not reside and practice within~~
40 ~~a rural health care professional shortage area during the period in~~

1 ~~which he or she was committed to reside and practice in that area~~
2 ~~or pays his or her student loan in full by means of any other loan~~
3 ~~repayment program, any remaining unapplied credit shall be~~
4 ~~canceled and any previously applied credit for the taxable year in~~
5 ~~which the move occurred, in which the practice ended, or in which~~
6 ~~the loan was paid in full shall be recaptured, and the qualified~~
7 ~~taxpayer shall be liable for any increase in tax attributable to the~~
8 ~~recapture of any credit previously allowed under this section.~~

9 *(d) If the qualified taxpayer ceases to reside and practice in the*
10 *health care professional shortage area, or his or her student loan*
11 *is paid in full by means of any other loan repayment program, the*
12 *tax imposed by this part for the taxable year in which that cessation*
13 *occurs shall be increased by an amount equal to the credit allowed*
14 *under this section that was applied to reduce tax otherwise payable*
15 *under this part by the qualified taxpayer. Additionally, any unused*
16 *credit carried over by the qualified taxpayer shall be forfeited.*

17 *(e) (1) In the case where the credit allowed under this section*
18 *exceeds the “tax,” the excess credit may be carried over to reduce*
19 *the “tax” in the following taxable year, and succeeding five taxable*
20 *years, if necessary, until the credit has been exhausted.*

21 *(2) The credit allowed by this section is in lieu of any other*
22 *deduction or credit which the qualified taxpayer may otherwise*
23 *claim pursuant to this part with respect to the same item of expense.*

24 *(f) The State Department of Health Care Services and the*
25 *Franchise Tax Board shall promulgate rules and regulations as*
26 *necessary or appropriate to implement this section.*

27 *(g) This section shall remain in effect only until December 1,*
28 *2019 2020, and as of that date is repealed.*

29 SEC. 3. This act provides for a tax levy within the meaning of
30 Article IV of the Constitution and shall go into immediate effect.